

Group Insurance Application Process Reform

Background

Employers have raised concerns that the group insurance application and employee enrollment process is too time consuming, especially when the employer wishes to shop around for group coverage. The need for employees to complete enrollment and medical questionnaire forms for each insurer from whom the employer wishes to receive a quote takes away from the productivity of the employer's business. In addition, when insurers require an employer to submit at least one month's premium along with a new group application, acquiring quotes from more than one insurer at a time can become cost prohibitive. This is especially true if insurers do not provide the employer a quote within a reasonable amount of time.

Employers also object to the practice by insurers of offering a premium quote to the employer that is, in part, based on the medical history of an individual who is waiving coverage under the employer's plan. Employers believe that it is unfair to charge the group a higher premium if a higher risk employee or dependent is not even applying for coverage.

Employers express concern that insurers fail to adequately disclose when the insurance plan that is being offered or is issued to the employer does not provide coverage for work-related injuries.

Options

1. Standardize group medical questionnaires and/or application/enrollment forms so the same form can be used when applying for coverage with any insurer.

Pro

- The amount of paperwork each employee would need to complete could be reduced if, at a minimum, the medical questionnaire form could be standardized for use by any insurer. There could be a specific question on the application itself, asking the employee only if there are any changes to the medical information on the questionnaire. The medical questionnaire form itself would not require the name of the insurer on the form as long as it was incorporated into the application/enrollment form that did identify the insurer. This would allow the same "page" to be approved for use by more than one insurer.

Con

- Different insurers have different underwriting requirements and ask different questions on medical questionnaire forms. An insurer's name must also be shown on an application form that is submitted to and

approved by our office as required by ss. 631.64 and 631.20 (2)(c), Wis. Stats., thus restricting the same application/enrollment form to be used by more than one insurer.

2. Eliminate or restrict the amount an employer must pay an insurer when seeking a quote for group insurance coverage.

Pro

- Prohibiting insurers from requiring an employer to submit a full monthly premium to obtain a price quote or requiring only a minimal payment would eliminate any financial hardship on the employer who is shopping for group insurance coverage, and would facilitate the employer's ability to obtain price quotes from more than one insurer at a time.

Con

- Prohibiting or limiting the amount insurers could require to be submitted with a group application would require statutory or rule change. Survey conducted by OCI revealed that major insurers do not require payment when employer requests a quote.
3. Require insurers to provide a quote for group coverage within 15 working days of receiving a request for a quote and the information necessary to provide the quote. Also require insurers to notify an employer within 7 working days of receiving a request for a quote of any additional information that is needed by the insurer to provide the quote.

Pro

- Requiring insurers to provide price quotes more promptly would help employers to shop for the best possible insurance options available to them.

Con

- Delays often occur during the underwriting process when providers do not respond promptly to an insurer's request for a copy of an individual's medical records. Lengthy delays could prevent an insurer from completing the underwriting of a group and providing a suitable quote within 15 days.
4. Prohibit an insurer from assigning a premium rate to an employer group based on the health history of an employee or dependent of the employee who is waiving coverage under the group and is not requesting coverage.

Pro

- Administrative rules already allow insurers to increase premium midterm if a new entrant is added to a group health benefit plan. [s. Ins 8.52 (3)(d), Wis. Adm. Code.] Amending the rule to prohibit insurers from determining the initial group rate based, in part, on an individual who is a substandard risk but is waiving coverage under the group

plan, should lower the group premium until that person becomes covered under the plan.

Con

- Insurers believe that determining an employer's group premium rate based only on those employees who initially enroll for coverage does not represent the true risk of the group, since the insurer could immediately be on a claim of an individual who decides to enroll in the employer's plan after the group's initial enrollment date. The potential for adverse selection exists if individuals who originally waive coverage because they are covered under another health plan, and who have or develop a serious medical condition or injury, later decide to enroll in their employer's plan because it has better benefits or they have exhausted benefits under another health plan.
5. Require insurers to provide separate disclosure to the employer and employees if the group policy does not provide coverage for work-related injuries.

Pro

- Proper disclosure of policy terms and conditions allows employers to make an informed decision when purchasing insurance coverage for their employees.

Con

- Additional disclosure requirement would require statutory or rule change. Such a disclosure would be just one of many other disclosures that the insurer is already required to give small employers concerning small employer laws, renewability and rating factors.